



Directorate of
Intelligence

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Indications of Political Instability in Key Countries

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Cerezo also must wrestle with demands from organized labor and teachers who have threatened to renew strikes if he does not modify government policy on price controls and wage increases. Although we believe there is only a modest prospect of widespread civil unrest during the first six months of Cerezo's term, we judge it will increase significantly if these demands are not met at least partially. Domestic discontent—as seen in last September's demonstrations over consumer price increases—could intensify quickly and lead to greater polarization. So far, the insurgents are taking a wait-and-see attitude toward the new government; a faltering Cerezo, however, could provide impetus to increased activity. [redacted]

Although the military upheld its commitment to oversee the transition to civilian rule, Cerezo has recognized publicly that the armed forces remain the ultimate political power. We believe he will hold out the prospect of renewed US military aid under his regime in order to win greater support from the Army. Cerezo also appears sensitive to military concerns that he not interfere with the counterinsurgency program, open direct talks with the guerrillas, nor punish military officers for human rights abuses. [redacted]

Observers—both at home and abroad—will be watching closely to see if Cerezo makes promised improvements in human rights. In our judgment, he will move forward cautiously in responding to demands that he account for missing persons and punish those in the security forces responsible for past abuses. There are indications that rightwing extremists may be prepared to launch a campaign of terror designed to embarrass the government and create an atmosphere of fear. Thus, Cerezo has announced plans to disband the unpopular Directorate of Technical Investigations and reorganize the National Police, but he is unlikely to tamper with the military security police forces. [redacted]

Cerezo is likely to attempt to craft what he sees as a more “balanced” regional policy. We believe any attempt to increase Guatemala's involvement in the region, however—including his proposal to create a Central American Parliament—will be tempered by his recognition of the military's continued opposition to an activist regional role and the need to maintain

good relations with Mexico. In our judgment, Cerezo probably will try to use his moderate leftist image to court better relations with Mexico and other Central American neighbors, including Nicaragua and Cuba, without endangering prospects for increased US and international economic support. [redacted]

Key Indicators To Watch

Prospective Scenario: Cerezo pursues a moderately reformist path

- Cerezo, recognizing the limits of his political power, pushes for moderate economic stabilization measures and avoids direct interference in military affairs.
- International donors provide increased assistance and debt relief.
- Cerezo ensures that the government's human rights performance improves by ending the worst abuses, but Guatemalan society continues to be characterized by violence.
- Rightwing political cohesion continues to dissipate and extremists fail to win military support for a coup.
- Labor strikes and demonstrations occur sporadically, but at manageable levels; the government is not required to use force to contain them. [redacted]

Alternative Scenario: Cerezo adopts an aggressive reform program

- Cerezo presses for sweeping economic reform legislation, despite strong private-sector opposition.
- Foreign assistance fails to materialize and a deepening economic crisis sparks labor and civil unrest.
- Increased guerrilla activity and rightwing violence produce the perception within the military that the government is losing control.
- Cerezo moves quickly and with a heavy hand to control the military; coup plotting increases. [redacted]

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Guatemala: Moderate Leftist President Cerezo Seeking Consensus

- Christian Democratic President Vinicio Cerezo, who won a decisive victory in the 8 December runoff election, has been striving hard to reassure key business and military leaders about his moderate credentials. Cerezo—seen by many of these leaders as a leftist—defeated centrist Jorge Carpio by a 2-to-1 margin. Cerezo's party also won 51 seats in the new 100-member Congress. [redacted]
- Despite rebel plans to launch a terror campaign to intimidate voters and disrupt the balloting, no major insurgent disturbances were reported. International observers noted that the balloting was free of fraud and military interference. [redacted]
- Cerezo has emphasized the need to forge a consensus on such potentially contentious issues as economic reform and the military's counterinsurgency campaign. Nevertheless, he has not outlined an economic program and is relying on large infusions of foreign aid from Western and Latin American governments to forestall further economic decline. [redacted]
- In a preinauguration visit to Washington, Cerezo pressed for economic assistance but stated that he opposes US military action in Central America. He also publicly indicated he supports Contadora and announced plans to pursue a policy of "active neutrality" in the region. [redacted]

Comment

Cerezo must contend with serious economic problems and political challenges early in his administration. If mismanaged, these tests could quickly erode his impressive electoral mandate. Cerezo's most formidable potential opposition comes from distrustful military officers and Guatemala's economic elite, many of whom regard him as a threat to their interests. At the same time, he faces challenges from extremist groups on both the left and the right. As a result, we believe



Vinicio Cerezo signaling victory in Guatemala
City: [redacted]

Cerezo has limited maneuverability in tackling the country's severe economic problems, asserting civilian control over the military, and following through on his commitment to improve human rights. [redacted]

Cerezo publicly has pledged to implement a comprehensive economic stabilization package, including exchange rate unification, but he studiously has avoided indicating specific measures. His predecessor's attempts to institute badly needed economic reforms met strong opposition from the business community, ultimately forcing retraction. Cerezo failed to build support for austerity before taking office and, in our judgment, he will face similar difficulties in winning private-sector support for government intervention in the largely free-enterprise economy. The release of much-needed assistance by international lenders and donors is likely to require a commitment to economic reform. [redacted]

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